

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

(A Component unit of the West Baton Rouge Parish Council)

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

June 2012 and 2011

TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information:	
Management Discussion and Analysis	i
Independent Auditor's Report	I
Financial Statements:	
Balance Sheets, June 30, 2012 and 2011	1
Statements of Changes in Net Assets for the years ended June 30, 2012 and 2011	2
Statements of Revenues and Expenses for the years ended June 30, 2012 and 2011	3
Statements of Cash Flows for the years ended June 30, 2012 and 2011	5
Notes to Financial Statements	8
Supplementary Information:	
Schedule of Changes in Restricted Assets for the years ended June 30, 2012 and 2011	20
Operating Statistics (Unaudited)	21
Schedule of Changes in Water System	22
Schedule of Per Diem Payments	23
Insurance Coverage (Unaudited)	24
Other Report:	
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with Government Auditing Standards.	25
Schedule on Findings and Responses for the years ended June 30, 2012 and 2011.	27

**WATER WORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

The Management of Water Works District Number 4 of West Baton Rouge Parish (the District) has prepared this Discussion and Analysis. The Discussion and Analysis presents a narrative overview and analysis of the District's financial activities as of and for the year ended June 30, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

On June 28, 2012, the West Baton Rouge Parish Council voted unanimously and passed an ordinance to abolish the District effective June 30, 2012. Waterworks District Number 4 became a part of the West Baton Rouge Parish Natural Gas and Water System on July 1, 2012.

FINANCIAL HIGHLIGHTS

- * The District's assets exceeded its liabilities at the close of fiscal year 2012 by \$3,662,561 which represents a 4% increase from last fiscal year. Of this amount, \$1,532,039 (unrestricted net assets) may be used to meet the District's ongoing obligations to its customers.
- * The District's operating income increased by \$46,516 (or 3.8%) and net assets increased by \$139,538.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts: Management Discussion and Analysis, basic financial statements and supplementary information. This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements present information for the District and is designed to make the statements easier to understand. The basic financial statements consists of the District's financial statements and notes to the financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheets, Statements of Revenues and Expenses, Statements of Changes in Net Assets, and Statements of Cash Flows.

The Balance Sheet presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

**WATER WORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

BASIC FINANCIAL STATEMENTS - CONTINUED

The Statement of Revenues and Expenses and the Statement of Changes in Net Assets present information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 1,641,375	\$ 2,521,559	\$ 2,365,441
Capital assets	<u>2,130,522</u>	<u>2,100,998</u>	<u>2,161,009</u>
Total assets	\$ <u>3,771,897</u>	\$ <u>4,622,557</u>	\$ <u>4,526,450</u>
Other liabilities	\$ 60,838	\$ 236,119	\$ 164,715
Long-term debt liabilities	<u>48,498</u>	<u>863,415</u>	<u>918,572</u>
Total liabilities	-- <u>109,336</u>	-- <u>1,099,534</u>	-- <u>1,083,287</u>
Net assets:			
Invested capital assets, net of debt	2,130,522	1,230,925	1,238,760
Restricted	-0-	232,841	228,051
Unrestricted	<u>1,532,039</u>	<u>2,059,257</u>	<u>1,976,352</u>
Total net assets	<u>3,662,561</u>	<u>3,523,023</u>	<u>3,443,163</u>
Total liabilities and net assets	\$ <u>3,771,897</u>	\$ <u>4,622,557</u>	\$ <u>4,526,450</u>

**WATER WORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE ENTITY - CONTINUED

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District increased by \$139,538 or 4%, from June 30, 2011 to June 30, 2012.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 628,535	\$ 656,699	\$ 647,944
Operating expenses	<u>460,416</u>	<u>535,096</u>	<u>494,175</u>
Operating income	168,119	121,603	153,769
Non-operating revenues (expenses)	(28,581)	(41,743)	(5,726)
Contributions and Transfers	<u>-0-</u>	<u>-0-</u>	<u>79,837</u>
Net increase in net assets	\$ <u>139,538</u>	\$ <u>79,860</u>	\$ <u>227,880</u>

CAPITAL ASSET AND DEBT ADMINISTRATIONS

Capital Assets

As of June 30, 2012, the District had \$2,130,522, net of accumulated depreciation, invested in capital assets, including land, right of ways, and plant and distribution system. This amount represents a net increase (including additions, deductions and depreciation) of \$29,524 or 1.4%, more than last year.

**WATER WORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets - Continued

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Plant and Distribution System	\$ 4,616,289	\$ 4,500,939	\$ 4,475,773
Less Accumulated Depreciation	<u>2,485,767</u>	<u>2,399,941</u>	<u>2,314,764</u>
Net of Accumulated Depreciation	\$ <u>2,130,522</u>	\$ <u>2,100,998</u>	\$ <u>2,161,009</u>

This year's significant capital additions included above were:

* Distribution systems	\$ 115,350
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The District purchased land for a new well site in 2010. The district started drilling a new well in 2011. That well was abandoned and the expenditures associated with its construction and abandonment were expensed in 2011 and 2012.

Debt

The District had \$-0- in bonds outstanding at year-end, compared to \$870,073 last year. The District retired its outstanding bond during 2012. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue Bond	-0-	\$ 870,073	\$ 922,249

The District's Water Works Revenue Bond dated July 8, 1982 was unrated.

**WATER WORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

CONTACTING THE DISTRICT'S MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pam Keowen, Secretary, Waterworks District Number 4 of West Baton Rouge Parish Louisiana. Ms. Keowen can be reached by phone at (225) 336-2406.



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT

(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the years ended listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Water District. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water Works District Number 4, of West Baton Rouge Parish as of June 30, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In the course of my audit, nothing came to my attention that caused me to believe there has been any lack of compliance with the accounting or reporting requirements of the bond ordinance under which outstanding revenue bonds have been issued.

In accordance with Government Auditing Standards, I have issued my report dated December 17, 2012 on my consideration of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government

Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Water Works District No. 4 of West Baton Rouge Parish. Such information, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the Schedule of Insurance Coverage and Operating Statistics which are marked "Unaudited", has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, except for the Schedule of Insurance Coverage and Operating Statistics which are marked "Unaudited" on which I express no opinion or provide any assurance, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountant
(A Professional Corporation)

December 17, 2012
Baton Rouge, Louisiana

BALANCE SHEETS

June 30, 2012 and 2011

ASSISTS

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Balance - Beginning of the year	\$ 3,523,023	\$ 3,443,163
Net income for the year	<u>139,538</u>	<u>79,860</u>
Balance - End of the year	\$ <u>3,662,561</u>	\$ <u>3,523,023</u>
Net assets at June 30, 2012 and 2011 consist of the following:		
Invested in capital assets, net of related debt	\$ 2,130,522	\$ 1,230,925
Restricted for debt service	-0-	232,841
Unrestricted	<u>1,532,039</u>	<u>2,059,257</u>
Balance - End of the year	\$ <u>3,662,561</u>	\$ <u>3,523,023</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Operating Revenues</u>		
Water sales	\$ 575,755	\$ 594,550
Penalties	13,123	12,443
Connection charges	14,700	25,150
Service charges	11,555	12,595
Collection fees	11,489	10,763
Bad debt recovery	741	368
Miscellaneous	<u>1,172</u>	<u>830</u>
Total	_ 628,535	_ 656,699
 <u>Operating Expenses</u>		
Per diem expense	2,420	2,310
System operating charges	161,679	158,995
System rental	1,459	1,459
Depreciation	85,826	85,177
Electricity	33,053	44,747
Meter and system repairs and supplies	83,841	97,961
Insurance	10,874	10,459
Postage - office expense	8,971	7,259
Telephone	433	435
Secretarial expense	3,438	3,438
Miscellaneous	5,927	5,658
Bad debt expense	2,341	3,009
Professional fees	14,863	11,634
Billing supplies	1,050	1,651
Well abandonment	<u>44,241</u>	<u>100,904</u>
Total	_ 460,416	_ 535,096
 Operating Income	_ 168,119	_ 121,603

(Continued)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES - Cont'd

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Income from the preceding page	\$ _ <u>168,119</u>	\$ _ <u>121,603</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest earned	20,646	23,760
Interest expense	(35,653)	(43,440)
Amortization of debt issuance expense	(18,935)	(1,721)
Investment expense	(7,056)	(7,283)
Investment gains (losses)	<u>12,417</u>	<u>(13,059)</u>
Net	<u>(28,581)</u>	<u>(41,743)</u>
Net income before Con- tributions and Transfers	139,538	79,860
<u>Capital Contributions and Transfers</u>	<u>-0-</u>	<u>-0-</u>
Increase in net assets	\$ <u><u>139,583</u></u>	\$ <u><u>79,860</u></u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2012 and 2011

Increase (Decrease) in Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 627,010	\$ 643,660
Other receipts	12,661	11,566
Collected for other entities	615,332	578,566
Payments to suppliers	(440,195)	(371,754)
Per diem & secretarial expense	(5,858)	(5,748)
Payments to other entities	<u>(618,144)</u>	<u>(578,566)</u>
Net cash provided by operating activities	- <u>190,806</u>	- <u>277,724</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(115,350)	(25,166)
Principal paid on revenue bond maturities	(870,073)	(52,176)
Interest paid on revenue bonds	<u>(78,066)</u>	<u>(46,363)</u>
Net cash used for capital and related financing activities	(1,063,489)	<u>(123,705)</u>
Cash (used) provided before investing activities	(872,683)	154,019

(CONTINUED)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash (used) provided before investing activities - from the preceding page	\$ <u>(872,683)</u>	\$ <u>154,019</u>
<u>Cash Flows from Investing Activities</u>		
Interest and dividends on investments	21,056	22,509
Investment expenses	(7,056)	(7,283)
Proceeds from sale and redemption of securities	133,617	867,569
Purchase and adjustments of securities	<u>(135,727)</u>	<u>(865,839)</u>
Net cash provided by investing activities	<u>11,890</u>	<u>16,956</u>
Net (decrease) increase in cash and cash equivalents	(860,793)	170,975
Cash and cash equivalents at the beginning of the year	<u>1,704,370</u>	<u>1,533,395</u>
Cash and cash equivalents at the end of the year	\$ <u><u>843,577</u></u>	\$ <u><u>1,704,370</u></u>

Cash and cash equivalents are shown as follows on the balance sheet:

Cash	\$ 843,577	\$ 1,373,942
Restricted assets	<u>-0-</u>	<u>330,428</u>
Total	\$ <u><u>843,577</u></u>	\$ <u><u>1,704,370</u></u>

Noncash Investing, Capital, and Financing Activities:

There were no Noncash Investing, Capital and Financing Activities in 2012 or 2011.

(CONTINUED)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Reconciliation of Operating Income to</u> <u>Net Cash Provided by Operating</u> <u>Activities:</u>		
Operating income	\$ _ <u>168,119</u>	\$ _ <u>121,603</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	85,826	85,177
Allowance for bad debts	-0-	500
(Increase) Decrease in assets:		
Accounts receivable	11,836	(1,473)
Prepaid insurance	3,419	571
Other receivable	(700)	-0-
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(74,882)	71,436
Inter governmental payables	<u>(2,812)</u>	<u>(90)</u>
Total adjustments	<u>22,687</u>	<u>156,121</u>
Net cash provided by operating activities	\$ <u><u>190,806</u></u>	\$ <u><u>277,724</u></u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

Introduction

Water Works District Number 4 operates a water system serving residences and businesses in parts of West Baton Rouge Parish. The Water District extends credit to its customers. The district does not require its customers to furnish collateral for their accounts. The Parish Council voted to dissolve the Water District effective June 30, 2012. All of the Water District's assets will be transferred to the Parish Council's Utility Department.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review of Subsequent Events

Management has evaluated subsequent events through December 17, 2012, the date these financial statements were available to be issued.

Basis of Presentation

The financial statements of the Water Works District Number 4 of West Baton Rouge Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standard Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Water District applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Water Works District Number 4 of West Baton Rouge Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Water District. Based on the criteria set forth in GASB Statement No. 14, the Water District is a component unit of the West Baton Rouge Parish Council. The basis criteria is the Council's

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

ability to exercise oversight responsibility. The Parish Council appoints the members of the Water District's board of commissioners and approves the District's budget.

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth the Water Works District Number 4 of West Baton Rouge Parish has no component units.

Enterprise Fund

Water Works District Number 4 is operated as an enterprise fund, and as such employs the accrual method of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water System

All assets are recorded at original cost. Interest costs incurred during and related to construction are capitalized. Depreciation is recorded on all exhaustible fixed assets over their estimated useful lives using the straight-line method. The service life of the water system is 25 to 50 years. Equipment used in providing water service is depreciated over 4 to 10 years.

Deferred Expenses

The cost of issuing the Water Works Revenue Bond is being amortized over the term of the bond issue using the straight-line method. During the year ended June 30, 2012 the bond was paid off and the unamortized bond issuance expense was written off.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Organization

Water Works District Number 4 was established to construct and acquire a complete water system for the benefit of the residents and customers of the Water Works District as designated by the West Baton Rouge Parish Council.

Investment Securities

Investment securities are carried at fair market value as required by GASB Standards.

Statement of Cash Flows

For purposes of the statement of cash flows, Water Works District Number 4 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Water District does not consider its investment in debt securities or any funds held by its brokers as cash equivalents (See Note 4).

Long-Term Liabilities

Long-term liabilities are recognized within the Enterprise Fund.

Net Assets

Net assets is the difference between assets and liabilities. Net assets are reported in three categories.

Investment in capital assets, net of related debt - This category represents net assets invested in capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Reserved for debt service - This represents those portion of net assets legally segregated as required by the bond indenture for the outstanding bonds of the District.

Unrestricted - This represents that portion of net assets that have no restrictions on their use.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 2. CASH AND CASH EQUIVALENTS

Cash is shown on the balance sheet under current assets and restricted assets. The carrying value of cash on deposit with financial institutions on June 30, 2012 was \$843,577. These deposits are stated at cost, which approximates market.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2012, the bank balances of the Districts' deposits were \$839,572. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$818,709 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Standards, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3. RESTRICTED ASSETS

The restricted assets are accounts required to be maintained under the terms of the bond indenture of the outstanding Water Works Revenue Bond dated July 8, 1982. The bond was retired during the year ended June 30, 2012. They are as follows:

- A) The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Water Works Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at June 30, 2012 and 2011 were \$-0- and \$100,992, respectively.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 3. RESTRICTED ASSETS - (Cont'd)

- B) The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at June 30, 2012 and 2011 were \$-0- and \$98,540, respectively. As of June 30, 2012 and 2011, this fund was adequately funded.
- C) The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at June 30, 2012 and 2011 were \$-0- and \$130,890 respectively. As of June 30, 2012 and 2011, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$-0- and \$330,428 at June 30, 2012 and 2011, respectively.

NOTE 4. INVESTMENTS

At June 30 the Water District had investments as follows:

	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
<u>2012:</u>		
Various U. S. Treasury obligations, .75% to 4.5% due between 9/12 and 5/22	\$ 442,959	\$ 433,707
Various FNMA and Freddie Mac securities, 1.0% to 2.875%, due between 9/13 and 1/22	193,134	187,890

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 4. INVESTMENTS - (Cont'd)

	Fair Value Carrying Amount	Cost
<u>2012:</u> (Cont'd)		
Money market funds	<u>53,996</u>	<u>53,996</u>
	\$ <u>690,089</u>	\$ <u>675,593</u>
<u>2011:</u>		
Various U. S. Treasury obligations, .75% to 4.875% due between 8/11 and 5/21	\$ 480,060	\$ 480,710
Various FNMA and Freddie Mac securities, 1.0% to 2.875%, due between 9/13 and 5/19	176,749	173,338
Money market funds	<u>18,771</u>	<u>18,771</u>
	\$ <u>675,580</u>	\$ <u>672,819</u>

CREDIT RISK AND CUSTODIAL RISK.

Investments are limited by state law and the district's investment policy. The investments are held by the Water District's broker in its street name.

INTEREST RATE RISK.

The District's investment policy does not address interest rate risk specifically.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 5. WATER SYSTEM

At June 30 the Water System consisted of the following:

	<u>2012</u>	<u>2011</u>
Water System - Cost	\$ 4,616,289	\$ 4,500,939
Accumulated depreciation	<u>(2,485,767)</u>	<u>(2,399,941)</u>
Water System Net of Accumulated Depreciation	\$ <u>2,130,522</u>	\$ <u>2,100,998</u>

NOTE 6. REVENUE BOND PAYABLE

The Revenue Bond payable at June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
\$1,662,000 Water Works Revenue Bond dated July 8, 1982, serviced by General Electric Credit Corpora- tion for private investors; interest at 5%. Annual payments of \$98,540. Principal and interest to be paid from the income and revenue derived from the operation of Water Works District Number 4.	-0-	\$ 870,073
Less current portion	<u>-0-</u>	<u>55,156</u>
Balance	\$ <u>-0-</u>	\$ <u>814,917</u>

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 7. CONTRIBUTED CAPITAL

Contributed Capital consisted of the following as of
June 30:

	<u>2012</u>	<u>2011</u>
Federal grant	\$ 600,000	\$ 600,000
Parish council	18,725	18,725
Contributed by developers and others	<u>136,191</u>	<u>136,191</u>
	\$ <u><u>754,916</u></u>	\$ <u><u>754,916</u></u>

On the balance sheet contributed capital is presented as a component of net assets invested in capital assets.

NOTE 8. WATER SYSTEM AGREEMENT

Water Works District Number 4 leases several water systems from the West Baton Rouge Parish Public Utility under a local services agreement entered into February, 1982. The lease expired in prior years. The District has continued to lease the water systems on a month to month basis since the expiration of the lease.

System rental expense on the leased water systems was \$1,251 for 2012 and 2011, respectively. The system rental expense payable at June 30, 2012 and 2011 totaled \$2,983 for both years and is included in Intergovernmental Payables on the balance sheet.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 8. WATER SYSTEM AGREEMENT - (Cont'd)

A separate operating agreement requires the Public Utility to operate the systems it leases to the Water Works District. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The operating agreement's term coincides with that of the local services agreement described above.

Fees under the operating agreement are based on the Water System's proportionate share of the Public Utility's office, administrative, operating and maintenance expenses. The Public Utility billed Water Works District Number 4 a total of \$71,767 from July 1, 2011 to June 30, 2012 and \$158,819 from July 1, 2010 to June 30, 2011. Of these amounts, \$13,624 and \$13,290 were payable at June 30, 2012 and 2011, respectively.

The Public Utility also bills the Water Works District for services not covered by the operating agreement. During the current year, the District was billed \$71,767 for these services. Of that amount, \$2,264 was capitalized and \$69,503 was expensed. The Water District owed \$2,264 and \$6,196 to the Public Utility for these services at June 30, 2012 and June 30, 2011, respectively. During the year ended June 30, 2011, the District was billed \$75,561 by the Public Utility; \$23,135 capitalized and \$52,426 was expensed.

All amounts owed to the Public Utility, under the various agreements discussed above, are included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

In addition to the regular services provided for under the operating agreement, the Public Utility assisted the Water District in relocating some of its water lines during the year ended June 30, 1991. The relocation was required by the Louisiana Department of Transportation. Total cost of relocating the Water District's lines was \$48,498. That amount was unpaid at June 30, 2012 and 2011 and is shown in the Other Liabilities section of the Balance Sheet.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 9. GARBAGE FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1986 whereby the District bills and collects a garbage collection fee on behalf of the Parish Council. The District retains thirty-three cents per customer every month to cover its billing expenses (classified as Collection Fees on the Statement of Revenue and Expenses). The remainder is remitted to the Parish Council as collected. At June 30, 2012 and 2011, the District had collected but not remitted \$23,601 and \$24,421, respectively, to the Parish Council. This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

NOTE 10. SEWER FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1987 whereby the District bills and collects sewer user fees for sewer systems within the District on behalf of the Parish Council and remits the fees to the Parish Council. In consideration for the collection of sewer user fees by the District, the Parish Council, through its Utility Systems, operates and maintains the sewer plants and systems located within Water Works District Number 4. At June 30, 2012, the District had collected but not remitted \$13,629 to the Parish Council \$12,023 at June 30, 2011). This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2012 and 2011

NOTE 11. RISK MANAGEMENT

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The District purchases commercial insurance policies at levels which management believes is adequate to protect the District. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 12. CONSTRUCTION OF NEW WATER WELL ABANDONED

During the year ended June 30, 2010 the Board of the Water District identified the need for a new water well to adequately service the District's customers. During the year ended June 30, 2010 land was purchased for the new well site.

During the year ended June 30, 2011 the District contracted with an engineering firm to design the new well and let a contract to drill that well. The well was drilled and tested, and it was determined that the well would not produce sufficient potable water to make its completion economically feasible. The well was abandoned subsequent to the end of the year ended June 30, 2011. Expenses incurred in the year ended June 30, 2011 totaled \$100,904. Those costs were expensed in the year ended June 30, 2011. During the year ended June 30, 2012 additional expenses totaling \$44,241 were incurred. These expenses are shown on the Statements of Revenues and Expenses.

SUPPLEMENTARY INFORMATION

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN RESTRICTED ASSETS

For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Water Works Revenue Bond</u> <u>Restricted Funds</u>		
Beginning Balance	\$ 330,428	\$ 325,580
Additions:		
Transfer from Revenue account	<u>617,711</u>	<u>103,388</u>
 Total Cash Available	 <u>948,139</u>	 <u>428,968</u>
 Disbursements:		
Bond principal paid	870,073	52,176
Bond interest paid	<u>78,066</u>	<u>46,364</u>
 Total Disbursements	 <u>948,139</u>	 <u>98,540</u>
	 \$ <u>-0-</u>	 \$ <u>330,428</u>

The restricted cash account was adequately funded as of June 30, 2011. The bond was retired in 2012.

Interest earned on restricted cash funds is not required to be restricted.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

OPERATING STATISTICS (UNAUDITED)

For the years ending June 30, 2012 and 2011

Water Works District Number 4 was serving 2,407 and 2,348 customers at June 30, 2012 and 2011, respectively.

Operations of Water Works District Number 4 for the years ending June 30, 2012 and 2011 are reflected in the following statistical data:

	<u>2012</u>	<u>2011</u>
Water sales	\$ 575,755	\$ 594,550
M gallons of water sold	295,057	303,417
Total number of customers' billings	28,540	28,091
Average number of customers billed per month	2,378	2,341
Average monthly revenue per customer \$	20.17	\$ 21.17
Average revenue per M gallons	\$ 1.95	\$ 1.96

(UNAUDITED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN WATER SYSTEM

For the years ending June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cost at July 1	\$ 4,500,939	\$ 4,475,773
System additions	<u>115,350</u>	<u>25,166</u>
Cost at June 30	\$ <u>4,616,289</u>	\$ <u>4,500,939</u>

All additions shown above were made with the system's own funds.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF PER DIEM PAYMENTS

For the year ending June 30, 2012

The following amounts of per diem were paid to the members of the governing authority of Water Works District Number 4 for the year ended June 30, 2012:

	<u>Number of Meetings</u>	<u>Amount</u>
Wanda Webre	12	\$ 720
Jan Landry	11	550
Beth Ponce	9	450
Heather Morris	10	500
Jerry King	4	<u>200</u>
Total		\$ <u>2,420</u>

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

INSURANCE COVERAGE (UNAUDITED)

June 30, 2012

Insurance and fidelity bond coverage on June 30, 2012 was as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
February 1, 2013	Travelers Companies	Commercial general liability \$2,000,000 aggregate; \$2,000,000 aggregate completed operations; advertising and personal injury \$1,000,000; each occurrence limit \$1,000,000; rented premises limit \$100,000 any one fire.
February 1, 2013	Landmark American Insurance	Commercial property coverage on two water towers, (\$500,000 and \$547,680), \$50,000 deductible, 90% coinsurance.
August 9, 2012	Western Surety Co.	Position schedule bond on President and Secretary/Treasurer, \$368,000 each.
February 23, 2013	Western Surety Co.	Fidelity bond on Secretary/Treasurer, \$5,000.
February 23, 2013	Western Surety Co.	Fidelity bond on President, \$5,000.

(UNAUDITED)



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT

(A PROFESSIONAL CORPORATION)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, a component unit of the West Baton Rouge Parish Council, as of and for the years ended June 30, 2012 and 2011, and have issued my report thereon dated December 17, 2012. I have conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Water Works District Number 4 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Water District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Water District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompany schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A

material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses.


A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I considered both the deficiencies described in the accompany schedule of findings and responses, to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Water Works District Number 4 of West Baton Rouge Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District management's responses to the deficiencies identified in our audit are shown on the schedule of findings and responses. I did not audit the District management's responses and accordingly express no opinion on them.

This report is intended solely for the information of the District's management, the District's Board of Commissioners, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountant
(A Professional Corporation)

December 17, 2012
Baton Rouge, Louisiana

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012 and 2011

FINDINGS

2012-1 and 2011-1. An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

This is a repeat finding.

Entity Response

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness. They have taken steps to compensate for this weakness.

2012-2 and 2011-2. The District does not have employees with sufficient expertise and training to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This is a repeat finding.

Entity Response

The District's management is aware of this condition, and feels hiring an employee with the requisite qualifications would be cost prohibitive. They feel the most cost effective solution is to have their external auditor assist in preparing year end financial statements in accordance with GAAP.